

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF)
UNITED WATER DELAWARE, INC. FOR THE)
APPROVAL OF THE SEMI-ANNUAL)
ADJUSTMENT TO THE DISTRIBUTION SYSTEM) PSC DOCKET NO. 14-0537
IMPROVEMENT CHARGE PURSUANT TO)
26 DEL. C. §314 (B) (5))
(FILED NOVEMBER 21, 2014))

ORDER NO. 8962

AND NOW, this 18th day of October, 2016, the Delaware Public Service Commission ("Commission") determines and orders the following:

WHEREAS, under the provisions of 26 Del. C. §314, a water utility may calculate and collect a "Distribution System Improvement Charge" ("DSIC Rate"), which allows the utility to promptly begin to recover depreciation expenses and a return on capital invested in "eligible distribution system improvements" put into service between rate cases; and

WHEREAS, under the statutory scheme, a particular water utility's DSIC Rate, once initiated, may thereafter be adjusted on a semi-annual basis to reflect eligible improvements put into service within the preceding six months. See 26 Del. C. §314(b) (3) and (b) (5));¹ and

WHEREAS, on November 21, 2014, United Water Delaware, Inc., now SUEZ Water Delaware, Inc. ("SUEZ" or the "Company") filed an

¹The Commission has explained the DSIC Rate mechanism in detail in PSC Order No. 5850 (December 11, 2001).

application in PSC Docket No. 14-0537 to set its DSIC Rate at 7.5% effective on January 1, 2015; and

WHEREAS, on December 16, 2014, the Commission adopted Order No. 8692, which opened Docket No. 14-0537 and approved SUEZ's application to set its DSIC Rate at 7.5% effective January 1, 2015, subject to annual review, audit, and reconciliation by the Commission Staff ("Staff"); and

WHEREAS, DSIC Rates are capped at 7.5% and the Company is permitted to continue collecting the DSIC Rate of 7.5% until they file a new Base Rate Case with the Commission and new base rates are put in effect; and

WHEREAS, on February 5, 2016, the Company filed a new Base Rate Case with the Commission, PSC Docket 16-0163. On April 5, 2016, pursuant to 26 Del. C. §306(c), the Company placed into effect a percentage of their proposed base rate increase. Therefore on April 5, 2016, the Company's DSIC Rate of 7.5% was effectively reset to 0.00%; and

WHEREAS, on June 13, 2016, Staff began conducting an audit of SUEZ's DSIC component and calculations contained in Docket No. 14-0537. Staff found that the Company included costs associated with customer Meter Replacements in the plant additions portion of the DSIC Rate calculation that do not conform to the requirements of the DSIC legislation. Specifically, the meters that were replaced did not meet the requirements of: 1) reached its useful life, 2) were worn out, 3) had deteriorated, or 4)

negatively impacted the water quality or reliability of service;
and

WHEREAS, Staff has removed the Meter Replacements portion of the plant additions and adjusted the Depreciation Expense component of the DSIC Rate calculation; and

WHEREAS, as a result of the adjustments by Staff to the Company's Net Plant Additions and Semi-Annual Depreciation Expense, the Total Semi-Annual DSIC Revenue Requirements were reduced²; and

WHEREAS, after all adjustments were made, Staff found that (i) SUEZ's rate of return did not exceed its last authorized rate of return; (ii) SUEZ collected \$2,369,622 in DSIC revenues for PSC Docket No. 14-0537 for the period January 1, 2015 through August 4, 2016; (iii) the plant portion of SUEZ's DSIC calculation was accurate; and (iv) the total depreciation as calculated by SUEZ agreed with its general ledger; and

WHEREAS, based on Staff's audit of the additional plant, after the aforementioned adjustments, claimed by SUEZ in Docket 14-0537 and the revenues collected by SUEZ under this DSIC Rate, Staff recommends that SUEZ's DSIC Rate of 7.5% for January 1, 2015, through April 4, 2015, be approved as final; and

WHEREAS, Staff recommends that the Commission formally close PSC Docket No. 14-0537; and

²The Company's Total Semi-Annual DSIC Revenue Requirements of \$1,066,062 for the period January 1, 2015 through June 30, 2015, \$1,044,746 for the period July 1, 2015 through December 31, 2015, and \$1,044,746 for the period January 1, 2016 through June 30, 2016 were reduced to \$987,573, \$966,257, and \$966,257 respectively.

WHEREAS, Staff further reports that it has shared its findings with the Delaware Division of the Public Advocate and SUEZ, and there do not appear to be any objections to the closing of this docket;

**NOW THEREFORE, IT IS ORDERED BY THE AFFIRMATIVE VOTE
OF NOT FEWER THAN THREE COMMISSIONERS:**

1. Under the provisions of 26 Del. C. §314, the Commission hereby approves SUEZ's DSIC Rate of 7.5% (effective January 1, 2015, through April 4, 2016) as previously allowed to go into effect in Order No. 8692 (December 16, 2014).

2. Nothing in this Order shall preclude the examination and challenge of SUEZ's claims in any base rate proceeding.

3. The annual audit of the filings made in PSC Docket No. 14-0537 has been concluded, and this docket is hereby closed.

4. The Commission reserves the jurisdiction and authority to enter such further orders in this docket as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

Chair

Commissioner

Commissioner

Commissioner

Commissioner

ATTEST:

Secretary